



MANAGEMENT LETTER POINTS

Harlan County School District
Harlan, Kentucky

In planning and performing our audit of the financial statements of the Harlan County School District for the year ended June 30, 2015, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 13, 2015. This letter does not affect our report dated November 13, 2015, on the financial statements of the Harlan County School District. The conditions observed are as follows:

HARLAN COUNTY HIGH SCHOOL

No conditions.

BLACK MOUNTAIN ELEMENTARY

No conditions.

CAWOOD ELEMENTARY

1-15

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being utilized for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation: Fund Raiser Worksheet copies have been made and given to all Coaches/Sponsors by Principal. All fundraising events will require a worksheet approved prior to the event taking place. Copies of all (F-SA-2B) will be given to the treasurer to filed with all other financial documents.

2-15

Statement of Condition: The Multiple Receipt Form (F-SA-6) is not consistently being signed and dated by the teacher and bookkeeper.

Recommendation for Correction: Each day that money is collected from students, the teacher/sponsor will insure that the Multiple Receipt Form (F-SA-6) is properly filled out and signed by the student when the transfer of cash occurs from the student to the teacher/sponsor. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: Multiple Receipt Forms will be utilized each time money is collected from students. Teacher or Sponsor will fill out the MRF and have student sign when there is a transfer of funds or cash from student to teacher/sponsor. The MRF will be turned in along with funds collected daily to the school treasurer.

3-15

Statement of Condition: The Principal is not initialing or dating the bank statement after review.

Recommendation for Correction: The Principal should initial and date the front page of the bank statement after a complete review.

Management Response to the Recommendation: The Principal or her designee will sign and date all bank statements after review is complete.

4-15

Statement of Condition: Purchase Orders are being utilized but not consistently.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: Any person requesting to make a purchase or expend activity funds will be required to prepare a Purchase Order Request and have it approve by the sponsor and Principal. After approval, a Purchase order will be issued and the purchase made.

5-15

Statement of Condition: Bank statements were not being reconciled timely.

Recommendation for Correction: Monthly financial reports shall be prepared and submitted to the superintendent or finance officer no later than the 15th of the following month. The original shall be signed and reviewed for accuracy and reasonableness by the

principal and submitted to the superintendent or finance officer and a copy retained in the files. A list of accounts payables and receivables shall accompany the report.

Management Response to the Recommendation: All monthly financial reports will be prepared and submitted to the Superintendent or Finance Officer in a timely manner. The original will be signed and checked for accuracy and submitted with a copy retained for our records. Also, a list of accounts payables and receivables will accompany the report submitted.

6-15

Statement of Condition: Receipt numbers are not being listed correctly on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: Receipt numbers will be listed on every deposit slip to show which receipts relate to each deposit.

7-15

Statement of Condition: Receipts are being written to the account or vendor instead of the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: Receipts will be written to the person that turns in the money and signs the MRF.

8-15

Statement of Condition: There were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: The person requesting the purchase will prepare a Purchase Request/Order form and have it approved by the Principal. After approval, a PO number shall be issued and the purchase will then be made.

9-15

Statement of Condition: Instances of disbursements being made without proper supporting documentation (no original invoice or Standard Invoice).

Recommendation for Correction: Before any payments can be processed an original invoice or original receipt must be present. If the original invoice/receipt is not available, then a Standard Invoice (F-SA-8) shall be completed and signed by the principal before payment can be processed, this must also have the payee's signature.

Management Response to the Recommendation: Before any payments will be processed, an original invoice or original receipt must be present. If an original receipt or invoice is not available then a Standard Invoice will be completed and signed by the Principal before any payment will be processed.

10-15

Statement of Condition: Paid invoices are not marked "Paid" with the check number and date paid noted on the invoice.

Recommendation for Correction: After the school treasurer writes/prints the check, the invoice is to be clearly marked "Paid" along with the check number and date paid noted.

Management's Response to the Recommendation: After the school treasurer prints a check, the invoice will clearly be marked "Paid" along with the check number and date paid noted.

CUMBERLAND ELEMENTARY

11-15

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being utilized for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation: For each fundraising event, we will have the sponsor responsible fill out fundraiser sheet which will be submitted to the principal.

12-15

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: Each deposit slips will have the receipt numbers listed on them.

13-15

Statement of Condition: Inventory Control Worksheets (F-SA-5) are not being completed monthly on concessions.

Recommendation for Correction: Inventory Control Worksheets (F-SA-5) need to be correctly filled out monthly on all activities that require one. Completed worksheets need to be reviewed by the principal to address significant shortages or overages. After reviewing the worksheets file them with the other financial documents.

Management Response to the Recommendation: Inventory control sheets will be completed.

14-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: We remind sponsors/teachers to turn in money on day collected.

EVARTS ELEMENTARY

15-15

Statement of Condition: Instances of disbursements being made without proper supporting documentation (no original invoice or Standard Invoice).

Recommendation for Correction: Before any payments can be processed an original invoice or original receipt must be present. If the original invoice/receipt is not available, then a Standard Invoice (F-SA-8) shall be completed and signed by the principal before payment can be processed, this must also have the payee's signature.

Management Response to the Recommendation: We will get the original invoice/receipt before any payments are made to anyone. If a receipt or invoice is not available we will fill out a standard invoice and have the principal sign it.

16-15

Statement of Condition: Receipts are not being written to the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: The receipts that we use have two parts, the top part I keep and the bottom part of the receipt is given to the person turning in money.

17-15

Statement of Condition: The Sales From Concessions Form (F-SA-17) is not consistently being used when a teacher or sponsor is collecting money for concessions.

Recommendation for Correction: Each day that money is collected from students for concessions, the teacher/sponsor will insure that the Sales From Concessions Form (F-SA-17) is properly filled out. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: We will make sure that the person or persons selling concession will fill out the correct form (F -SA-17).

18-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: We will make sure that all money collected by teachers/sponsors will be turned in to the school the day the money is collected along with the multiple receipt form.

19-15

Statement of Condition: The Principal is not initialing or dating the bank statement after review.

Recommendation for Correction: The Principal should initial and date the front page of the bank statement after a complete review.

Management Response to the Recommendation: Will have the principal sign each bank statement after reviewing.

20-15

Statement of Condition: Receipts are not being written to the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: Our receipts have two parts, top part is for me to keep the bottom part is for the person turning the money in.

21-15

Statement of Condition: There were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: We will make sure the person requesting to make a purchase will prepare the Purchase Order form and have it approved by the sponsor and principal before making the purchase.

GREEN HILLS ELEMENTARY

No conditions.

JAMES A CAWOOD ELEMENTARY

22-15

Statement of Condition: The Multiple Receipt Form (F-SA-6) is not consistently being used when a teacher or sponsor is collecting money from students.

Recommendation for Correction: Each day that money is collected from students, the teacher/sponsor will insure that the Multiple Receipt Form (F-SA-6) is properly filled out and signed by the student when the transfer of cash occurs from the student to the teacher/sponsor. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: Each day that money is collected from students, the teacher/sponsor will insure that the Multiple Receipt Form (F-SA-6) is properly filled out and signed by the student when the transfer of cash occurs from the student to the teacher/sponsor. This document along with the money will be turned in to the School treasurer daily.

23-15

Statement of Condition: Instances of receipts not being deposited timely.

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: All monies shall be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$1 00 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

24-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

25-15

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

Management's Response to the Recommendation: Precautions shall be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both shall sign the Requisition and Report of Ticket Sales (F-SA-1) form.

26-15

Statement of Condition: Support/Booster club annual financial reports are not available from the schools PTO.

Recommendation for Correction: The principal should notify each Support/Booster Organization of the requirement of turning in annual financial reports and insure these are received by July 25.

Management's Response to the Recommendation: The principal should notify each Support/Booster Organization of the requirement of turning in annual financial reports and insure these are received by July 25.

ROSSPOINT ELEMENTARY

27-15

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: Rosspoint Elementary will list receipt numbers on deposit slips beginning immediately.

WALLINS ELEMENTARY

No conditions

CENTRAL OFFICE

28-15

Statement of Condition: During our testing of cash, we noted the bank reconciliations were out of balance for the entire fiscal year.

Recommendation for Correction: We would recommend management review their policies and procedures over bank reconciliations and amend to ensure the bank reconciliations are balanced each month.

Management Response to Recommendation: We will follow auditor's recommendation.

29-15

Statement of Condition: During our testing of cash, we noted old outstanding checks on the bank reconciliation.

Recommendation for Correction: We would recommend employee who performs bank reconciliation review old outstanding checks monthly and any over six months old consider voiding check or reissuing.

Management Response to Recommendation: We will consider auditor's recommendation.

30-15

Statement of Condition: During our testing of payroll, we noted I-9's and supporting documentation in employee files was inconsistent.

Recommendation for Correction: We would recommend management assign an employee to review each active employee file for I-9's and requirement supporting documentation.

Management Response to Recommendation: We will consider auditor's recommendation.

31-15

Statement of Condition: During our testing of capital assets, we noted several high school capital assets which could not be located per the sample pulled.

Recommendation for Correction: We would recommend management review their policies and procedures over capital assets and amend if necessary to ensure all sold, retired or obsolete capital assets are removed from the capital asset listing.

Management Response to Recommendation: We will consider auditor's recommendation.

32-15

Statement of Condition: During our testing of cash, we noted a confirmed cash account, Self-Insurance, that was not recorded on the financial statements.

Recommendation for Correction: We would recommend management review their policies and procedures over cash and amend if necessary to ensure all checking accounts are recorded on the District's financial statements.

Management Response to Recommendation: We will consider the auditor's recommendation.

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The following are repeat conditions from the prior year: 1-15, 2-15, 3-15, 4-15, 6-15, 7-15, 8-15, 11-15, 12-15, 18-15, 19-15, 20-15, 21-15, and 26-15. All other prior year conditions have been implemented and corrected. Mr. T. Michael Howard, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 13, 2015